



**PUBLIC PROCUREMENT AND DISPOSAL  
OF PUBLIC ASSETS AUTHORITY**  
*"Regulating for Results"*

**CONTRACT AUDIT REPORT INTO THE UPGRADING OF  
MPIGI-MUDUUMA ROAD TO PAVED STANDARD (15.6KM)  
IN MPIGI DISTRICT**

**CONTACTOR: ZHONGMEI ENGINEERING GROUP  
LIMITED**

**NOVEMBER 2025**

## TABLE OF CONTENTS

LIST OF TABLES .....	i
ACRONYMS .....	i
EXECUTIVE SUMMARY .....	ii
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background.....	1
1.2 Objective of the audit exercise.....	2
1.3 Scope of the audit exercise .....	3
1.4 Audit methodology .....	3
1.5 Limitation of scope .....	3
1.6 Legal documents applicable.....	3
CHAPTER 2: FINDINGS AND RECOMMENDATIONS .....	4
2.1 PROGRESS OF WORKS WITH REGARD TO THE EFFECTIVENESS OF TIME, QUALITY AND COST CONTROLS OF WORKS UNDERTAKEN.....	4
CHAPTER 3: AUDIT CONCLUSION.....	10

## LIST OF TABLES

Table 1: Contract Summary .....	1
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## ACRONYMS

ESHS	-	Environmental, Social, Health and Safety
GCC	-	General Conditions of the Contract
GOU	-	Government of Uganda
GKMA	-	Greater Kampala Metropolitan Area
PPDA	-	Public Procurement and Disposal of Public Assets Authority
PPDA Act	-	Public Procurement and Disposal of Public Assets Act, Cap.205
SCC	-	Special Conditions of the Contract
UGX	-	Uganda Shillings
VAT	-	Value Added Tax

## **EXECUTIVE SUMMARY**

In the Financial Year 2024/2025, Mpigi District Local Government entered into a contract for the construction of selected roads in Mpigi and Wakiso Districts and Nansana Municipality Lot 6: Upgrading of Mpigi-Muduuma road to paved standard (15.6KM), under GKMA.

In line with Section 8 (1) (j) (ii) of the PPDA Act Cap. 205, the Public Procurement and Disposal of Public Assets Authority conducted a contract audit into the upgrading of Mpigi-Muduuma road to paved standard (15.6KM) with an overall objective of assessing the status of contract implementation.

### **The following key exceptions were noted:**

1. There was a delay in commencement of road works with 0% physical progress as at 12<sup>th</sup> June 2025, with 11% (two months) time lapse from date of contract signing, slow mobilisation of road equipment, campsite was still under construction and the laboratory was yet to be established. This delay exposed the Entity to risk of failure to complete the works within the contractual period which may result into increased project costs in terms of resource allocations such as time, human resource and money;
2. The Entity delayed to make payment worth UGX 18,051,582,659 (30% of the total contract price) of advance payment to the contractor, Zhongmei Engineering Group Limited, leading to a delay of over 69 days. This was contrary to GCC 60.1 of the Special Conditions of Contract which provides that the advance payment will be paid to the contractor within 30 calendar days of the submission of an acceptable unconditional advance payment bank guarantee;
3. The Entity failed to effect full remittance of the 30% advance payment to the contractor contrary to GCC 60.1 of the Special Conditions of Contract which provided for an advance payment equivalent to 30% of the accepted contract price within 30 calendar days, with 19.8% (UGX 11,917,593,960) of the advance payment certified for payment on 8<sup>th</sup> April 2025 and the balance of UGX 6,133,988,698 (10.2% the outstanding advance payment) not paid as at 12<sup>th</sup> June 2025, hence a delay of 69 days from date of the 19.8% certification. This action by the Entity was in breach of the contractual provisions which could potentially increase the risk further delay achievement of the project timelines;
4. The contract management team failed to prepare and share a copy of a contract management plan as a guide on timelines and milestones which was contrary to Regulation 50 (3) of the PPDA (Contracts) Regulation, 2023, which exposed the Entity to the risks of contractual disputes, misaligned expectations, schedule slippage, inefficient processes and non-compliance to contractual requirements;
5. The Contractor, Zhongmei Engineering Group Limited did not submit the program of works within 28 days following contract signature and the subsequent updates to the program of works were also not provided which was contrary to GCC 36.1 and 36.3 of the Special Conditions of Contracts which provided that the Contractor shall submit the program for the works within twenty-eight days of contract signature with a period of 30 calendar days between program updates; and
6. The Entity failed to maintain records on Environmental, Safety, Health and Social Safeguards such as an Environment Impact Assessment report from the Consultant, which ESHS exposed the Entity to health and safety risks of workers and the community, with no action points for implementation.

**In light of the above findings, the Authority recommends the following measures**

1. The Supervising Consultant should effectively supervise the contractor to ensure timely execution of works in line with the contract terms and conditions and in accordance with Regulation 52 (1) of the PPDA (Contracts) Regulations, 2023;
2. The Project Manager should task the contractor, Zhongmei Engineering Group Limited to expedite with the establishment of the campsite with the laboratory, and full mobilization of the roads' equipment and personnel for efficiency in the contractual implementation in accordance with Section 51 of the PPDA Act, Cap. 205;
3. The Accounting Officer should always ensure full and timely advance payments to the contractor in line with the provisions of the signed contract and in accordance with Regulation 12 (1) (c) of the PPDA (Contracts) Regulation, 2023;
4. The contract management team/ Team Leader should prepare and dully fill the contract management plan with all deliverables and forward a copy to the Procurement and Disposal Unit for purposes of monitoring in accordance with Regulation 50 (3) of the PPDA (Contracts) Regulations, 2023;
5. The Supervising Consultant should task the contractor to submit an updated program of works and impose the penalty for late submission in accordance with GCC 36.1 and GCC 36.3 contractual provisions of the signed contract; and
6. The Contract Management Team should ascertain that the Consultant for ESHS submits fully signed reports and follow up on the implementation of the recommendations on grievance redress mechanism and all ESHS and archive all documentation in accordance with the terms and conditions of the contract in line with Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations, 2023.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background

The Government of Uganda under the Greater Kampala Metropolitan Area (GKMA) Urban Development Program-for-Results for Uganda allocated funds to Mpigi District Local Government with a development objective to improve the institutional capacity in the GKMA for metropolitan coordination and management for increased access to improved infrastructure and services.

On 17<sup>th</sup> March 2025, Mpigi District Local Government entered into a contract for the upgrading of Mpigi-Muduuma road to paved standard (15.6KM) worth UGX 60,171,942,196 with Zhongmei Engineering Group Limited and the contract is expected to be complete by 15<sup>th</sup> October 2026.

In line with Section 8 (1) (j) (ii) of the PPDA Cap. 205, the Public Procurement and Disposal of Public Assets Authority conducted a contract audit into the project in Mpigi District Local Government with an overall objective of assessing the status of contract implementation with emphasis on verification that all parties to the contracts complied with the requirements and standards set forth in the contracts, PPDA Law and other attendant regulations and guidelines.

The summary of the contract between Mpigi District Local Government and the contractor, Zhongmei Engineering Group Limited is as indicated in Table 1 below:

**Table 1: Contract Summary**

Contract Title	Construction of selected roads in Mpigi and Wakiso Districts and Nansana Municipality Lot 6: Upgrading of Mpigi-Muduuma road to paved standard (15.6KM) in Mpigi District Local Government	
Name of the Provider	Zhongmei Engineering Group Limited	
Contract Type	Admeasurement	
Original Contract Value exclusive of VAT /deemed (UGX)	60,171,942,196	
Contract Signature Date	17 <sup>th</sup> March 2025	
Site possession date	15 <sup>th</sup> April 2025	
Original Contract End Date	15 <sup>th</sup> October 2026 (18 Months duration)	
1st Extension of Time	N/A	
2nd Extension of Time	N/A	
Contract Scope	<b>Description</b>	<b>Amount (UGX)</b>
	General and preliminaries	6,276,591,200
	Drainage	17,135,634,667
	Earthworks and Pavement Layers	13,298,145,312
	Bituminous Layer and Seals	9,915,536,271
	Ancillary Roadworks	1,451,210,652
	Structures	161,073,277
	Testing, Tolerances and Quality Control	96,600,000

	Dayworks	234,279,500	
	Solar Street Lighting	462,831,520	
	Access roads (1.9Km)	8,274,709,217	
	<b>Sub-total, Bills</b>	<b>57,306,611,615</b>	
	Add: 5% Contingencies	2,865,330,581	
	<b>Total Excluding VAT</b>	<b>60,171,942,196</b>	
	Add: 18% VAT	10,830,949,595	
	<b>Total including VAT</b>	<b>71,002,891,791</b>	
Progress as at 12 <sup>th</sup> June 2025	Time Progress- 11% Physical Progress- 0% Financial Progress- 19.81%		
Securities	<b>Security</b>	<b>Amount (UGX)</b>	<b>Date of Expiry</b>
	Advance Payment Guarantee (30% of contract price)	18,051,582,659	19 <sup>th</sup> October 2026
	Performance Security (4% of contract price)	2,840,115,672	16 <sup>th</sup> November 2027
	ES Performance Security (1% of contract price)	710,028,918	16 <sup>th</sup> November 2027
Defect liability period	365 days		
Retention	10%		
Clerk of works	N/A		
Project Manager	M/S Trio Consultants Ltd in JV with Greenlife Enviro Consult (U) Ltd		
Project Implementation Team dated 24 <sup>th</sup> March 2025	<ol style="list-style-type: none"> <li>1. Sam Kyambadde (Ag. District Engineer -Team Leader)</li> <li>2. Nampeera Esther (District Environmental Officer)</li> <li>3. Nabuuma Annet (District Community Development Officer)</li> <li>4. Nayiga Frances (District Labour Officer)</li> <li>5. Eng. Sam Mwesigwa (Program Infrastructure Engineer- Ministry of Kampala and Metropolitan Affairs)</li> </ol>		
Payments as at 12 <sup>th</sup> June 2025	Advance payment (19.8%): UGX 11,917,593,960		

## 1.2 Objective of the audit exercise

The primary objective of the contract audit exercise was to assess the status of contract implementation with emphasis on verification that all parties to the contract complied with the requirements and standards set forth in the contract and the provisions of the PPDA Law.

The specific objectives for undertaking the contract audit were to assess:

1. The progress of works with regard to effectiveness of time, quality and cost controls of works undertaken; and
2. Adherence to Environmental, Safety, Health and Social Safeguard (ESHS) requirements.

### **1.3 Scope of the audit exercise**

The audit covered the contract implementation and management for the upgrading of Mpigi-Muduuma road to paved standard (15.6Km) in Mpigi District Local Government.

### **1.4 Audit methodology**

The Authority adopted the following methodology:

- i. Review of documentation on the procurement action file.
- ii. Physical verification of the project site.
- iii. Debrief of the Entity management on the preliminary findings.
- iv. Issuance of a management letter to the Entity for its official management response
- v. Reporting on the audit findings and providing actionable recommendations where applicable.

### **1.5 Limitation of scope**

The contract audit was undertaken by auditors who did not have professional competence in engineering and civil works hence could not conclusively give an opinion on the technical quality of the works undertaken. Therefore, the overall responsibility for the quality of works undertaken lies with the management of Mpigi District Local Government (the Entity) and the contractor; Zhongmei Engineering Group Limited.

### **1.6 Legal documents applicable**

The applicable laws and legal framework were:

- i. The Public Procurement and Disposal of Public Assets Act. Cap. 205;
- ii. The PPDA Regulations of 2023;
- iii. The bidding document issued to bidders;
- iv. The signed contract between Mpigi District Local Government and with Zhongmei Engineering Group Limited for upgrading of Mpigi-Muduuma road to paved standard (15.6Km).

## CHAPTER 2: FINDINGS AND RECOMMENDATIONS

### 2.1 PROGRESS OF WORKS WITH REGARD TO THE EFFECTIVENESS OF TIME, QUALITY AND COST CONTROLS OF WORKS UNDERTAKEN

#### 2.1.1 TIME CONTROL

##### 2.1.1.1 Delayed commencement of works

On 17<sup>th</sup> March 2025, the Entity entered into a contract with Zhongmei Engineering Group Limited for the Construction of selected roads in Mpigi and Wakiso Districts and Nansana Municipality Lot 6: Upgrading of Mpigi-Muduuma road to paved standard (15.6KM) in Mpigi District Local Government worth UGX. 60,171,942,196 (VAT exclusive/deemed) with the expected completion date of 15<sup>th</sup> October 2026 (18 Months).

The Authority found that road works had not started and there was low mobilisation i.e., road equipment not on ground, campsite still under construction and the laboratory yet to be established as shown in Figure 1 below:

**Figure 1: Pictorial Status of Works as at 12<sup>th</sup> June 2025**





***Campsite under construction as at 12<sup>th</sup> June 2025 with the laboratories and equipment not yet in place***

As at 12<sup>th</sup> June 2025, 11% (two months) project time had elapsed since site handover, with the physical progress at 0% as observed during physical verification, with the financial progress at 19.81% (partial advance payment).

#### **Implication**

Delay in commencement of works increases the risk of failure to complete the works within the contractual period leading to increased project costs in terms of resource allocations such as time, human resource and funds.

#### **Management response**

*The Management acknowledged the Authority's observation and explained that the work had not begun by audit time; however according to the updated programme the mobilisation period of 60 days commencing on 12<sup>th</sup> May 2025 and ending 10<sup>th</sup> July 2025 implying that the contractor was still under mobilisation stage.*

***Authority's comment:*** Noted the Entity's response; however, a review of the program of works, indicated that the contractor was to establish a camp with offices and a laboratory, execute the relocation of services works and avail some roads' equipment, which were not fully in place by 12<sup>th</sup> June 2025 i.e., half way into the mobilisation period.

#### **Recommendations**

1. The Supervising Consultant should effectively supervise the contractor to ensure timely execution of works in line with the contract terms and conditions and in accordance with Regulation 52 (1) of the PPDA (Contracts) Regulations, 2023.
2. The Project Manager should task the contractor, Zhongmei Engineering Group Limited to expedite with the establishment of the campsite with the laboratory, and full mobilization of the roads' equipment and personnel to ensure efficiency in the contractual implementation in accordance with Section 51 of the PPDA Act, Cap. 205.

## 2.1.2 COST CONTROL

### **a) Delayed payment of 30% advance payment to the contractor**

The Authority found that the Entity had not fully made payments to Contractor, Zhongmei Engineering Group Limited worth UGX 18,051,582,659 (30% of the total contract price) of the advance payment, causing a delay of over 69 days, contrary to GCC 60.1 of the Special Conditions of Contract of the contract which provides that the advance payment will be paid to the contractor within 30 calendar days of the submission of an acceptable unconditional advance payment bank guarantee.

#### **Implication**

This action by the PDE was in essence a breach of the contractual provisions which may cause misunderstandings between the Entity and the provider hence affecting the completion schedule.

#### **Management response**

*Management acknowledged the Authority's observation and explained that this was as a result of limited funding following the Annual Performance Assessment 1 (APA 1) where Mpigi District Local Government implementing Entity (IE) had a release of UGX11,917,593,960 only, sufficient to cover the 19.8% of the contractor's advance payment. This was inadequate to simultaneously meet the contractual requirements of a 30% advance to the contractor and to settle the consultants' deliverables. However, the remainder of advance payment was effected in June 2025.*

**Authority's comment:** Noted the Entity's response. The remaining balance of advance payment worth UGX 6,133,988,698 was made on 27<sup>th</sup> June 2025 (Voucher No.20281129); however, the Authority could not establish the date of the release from the line Ministry with the payments made 81 days after the first partial advance payment of 8<sup>th</sup> April 2025. This was contrary to GCC 60.1 of the Special Conditions of Contract for the signed contract which requires the advance payment to be paid to the contractor within 30 calendar days from date of submission of an acceptable unconditional advance payment bank guarantee.

#### **Recommendation**

The Accounting Officer should always ensure full and timely advance payments to the contractor in line with the provisions of the signed contract and in accordance with Regulation 12 (1) (c) of the PPDA (Contracts) Regulation, 2023.

### **b) Partial payment of 30% advance payment for contractor**

The Authority found that an advance payment certificate worth UGX 11,917,593,960 was prepared on 8<sup>th</sup> April 2025 by Trio in JV with Green life (the project manager) reflecting 19.8% advance payment instead of 30%. This was contrary to GCC 60.1 of the Special Conditions of Contract signed on 17<sup>th</sup> March 2025, provided for an advance payment equivalent to 30% of the accepted contract price within 30 calendar days

#### **Implication**

Partial payment led to delays in resource mobilization by the contractor and subsequent delays in the execution of works.

### **Management Response**

*Management acknowledged the Authority's observation and explained that this was as a result of limited funding following the Annual Performance Assessment 1 (APA 1) where Mpigi District Local Government implementing Entity (IE) which had a release of UGX11,917,593,960 only, sufficient to cover the 19.8% of the contractor's advance payment. However, the remainder of advance payment was effected in June 2025.*

**Authority's comment:** noted the Entity's response with UGX 6,133,988,698 (10.2% the outstanding advance payment) paid in June as indicated on the Voucher/EFT No. 20281129 of 27<sup>th</sup> June 2025.

### **Recommendation**

The Authority commends the Entity. However, the Accounting Officer should always ensure that the contractor is fully paid on time and that through formal arrangements advised on the percentage of guarantee to be obtained in order to enable them manage their costs where the Entity is unable to make full advance payment in accordance in line with the contract provisions and in accordance with Regulation 12 (1) (c) of the PPDA (Contracts) Regulation, 2023.

## **2.1.3 QUALITY CONTROL**

### **2.1.3.1 Failure to prepare a contract management plan**

The Authority found that, whereas the contract management team was appointed, there was no proof that a contract management plan had been prepared to guide the team on timelines and milestones, contrary to Regulation 50 (3) of the PPDA (Contracts) Regulation, 2023 which provides that upon receipt of the contract, the contract manager shall prepare a contract management plan using Form 49 in Schedule 2 of the Regulations, and forward a copy of the contract management plan to the to the Procurement and Disposal Unit for purposes of monitoring.

### **Implication**

This exposes the Entity to the risks of contractual disputes, misaligned expectations, schedule slippage, inefficient processes and non-compliance to contractual requirements.

### **Management response**

*The Management noted the Authority's observation and explained that the Entity prepared a detailed contract management plan as guided.*

**Authority's comment:** Noted the Entity's response; however, the schedule of interim payment certificates of the contract management plan was not dully filled, with only advance payment indicated as the only planned deliverables and the date of IPC and date received by Entity, amount of IPC and dates of certification were not indicated on the plan.

### **Recommendation**

The Contract Management Team/ Team Leader should prepare and dully fill the contract management plan by including the deliverables required in the Form 49 and forward a copy to the Procurement and Disposal Unit for purposes of monitoring in accordance with Regulation 50 (3) of the PPDA (Contracts) Regulations, 2023.

### **2.1.3.2 Failure by the contractor to submit a revised program for works following contract signing as well as subsequent updates to the program of works**

The Authority found that the Contractor, Zhongmei Engineering Group Limited had not submitted a program of works following contract signature as well as subsequent updates to the program of works which was contrary to GCC 36.1 of the Special Conditions of Contracts which provided that the Contractor shall submit the program for the works within twenty-eight days of contract signature (17<sup>th</sup> March 2025)".

#### **Implication**

Without a works program, the Project Manager cannot effectively monitor the sequence of tasks, timelines, resource allocation and key milestones for the project. This exposed the project to the risk of time losses during contract execution and ultimately delayed completion of the works.

#### **Management response**

*Management noted the Authority's observation and explained that the contractor submitted program of works*

**Authority's comment:** Noted the Entity's response dated 29<sup>th</sup> September 2025. However, there was no evidence to show that the programme of works was submitted within the 28 days of contract signature.

#### **Recommendation**

The Supervising Consultant should task the contractor to submit subsequent updated programs of works and impose the penalty for late submission in accordance with GCC 36.1 and GCC 36.3 contractual provisions of the signed contract.

## **2.2 ADHERENCE TO ENVIRONMENTAL, SAFETY, HEALTH AND SOCIAL SAFEGUARD (ESHS) REQUIREMENTS**

### **2.2.1 Failure to maintain contract management records on ESHS**

The Authority noted missing records on Environmental, Safety, Health and Social Safeguard such as an Environment Impact Assessment report, outlining the potential environmental and social impacts of the project contrary to Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations, 2023.

#### **Implication**

Non-implementation of the ESHS requirements exposes the site workers, the community and staff of the Entity to environmental, social, health and safety risks.

#### **Management response**

*Management noted the Authority's observation and explained that an Environmental Impact Assessment report was prepared by the Consultant, National Engineering Service Pakistan (PVT) Limited in Joint Air Water Earth Limited (AWE) Limited.*

**Authority's comment:** Noted the Entity's response; however, a partial Environmental and Social Impact Assessment (ESIA) which had not been signed by an ESHS specialist of the contracted

Consultant firm, National Engineering Service Pakistan (PVT) Limited Joint Air Water Earth Limited (AWE) Limited was submitted. Therefore, the ESIA was not in an acceptable form.

**Recommendation**

The Contract Management Team should ascertain that the Consultant for EHS submits fully signed reports and follow up on the implementation of the recommendations on grievance redress mechanism and all ESHS and archive all documentation in accordance with the terms and conditions of the contract in line with Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations, 2023.

### **CHAPTER 3: AUDIT CONCLUSION**

In the implementation of contract for the upgrading of Mpigi-Muduuma road to paved standard (15.6KM) in Mpigi District Local Government worth UGX. 60,171,942,196 (VAT exclusive/deemed) by M/s Zhongmei Engineering Group Limited, the Authority noted the following:

1. There was slow progress of works. After two months (11% of project time) the road works had not commenced, roads equipment not on ground, the camp site and laboratory not fully established and low mobilisation of workers. This may impact on contractual completion period and increase in project costs in terms of resource allocations such as time, human resource and money;
2. The contractor did not submit an updated program of works in accordance with GCC 36.1 of the signed contract which may impact the effective monitoring of sequence of tasks, timelines, resource allocation and key milestones for the project; and

There was a possibility that the Consultant for Environmental and Social Safeguards, National Engineering Service Pakistan (PVT) Limited Joint Air Water Earth Limited (AWE) Limited does not involve the ESHS specialist in the preparation of the progress reports, for instance, Environmental and Social Impact Assessment (ESIA) was not signed by the ESHS specialist

In light of the above. the Accounting Officer should implement the Authority's recommendations herein and task the Project Manager to strengthen contract monitoring and supervision so that the works are completed within the stipulated time, cost and of quality in order to realize the project's objective.